NEPA PUBLIC SCOPING PROCESS

OROVILLE FACILITIES RELICENSING

PUBLIC COMMENTS

Reporter's Transcript of Proceedings

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CERTIFIED

COPY

Reported By: Sandy Hopper, CSR 7110

A P P E A R A N C E S

Present:

RICK RAMIREZ
JOHN COBURN
LEN MARINO
PATTI KROEN

Public Speakers:

MIKE WADE
JOHN COBURN
MARY LOU COTTON
DAN SMITH
NAN NALDER
ED ELY
GEOFF VANDEN HEUVEL
VINCENT WONG
TIM QUINN
WILSON HEAD
DON MARQUEZ
LISA WOLFE
KEN KULES

OCTOBER 30, 2001

SACRAMENTO, CALIFORNIA

MR. RAMIREZ: I think we're ready to start the program. And I'm sure if we happen to end a few minutes early, we won't have too many objections. So let's see if that's a possibility.

Hopefully people have had an opportunity to look at our displays and talk to some of our Resource experts that have been part of the relicensing process. It's a very complex process, I think people have discovered. We have done our best to make our way through the process, and hopefully you see evidence of that in the displays and in the answers to any questions you might have had for our Resource folks.

Okay. I think I know most of you out there, but for those that don't know me, my name is Rick Ramirez. I'm the Program Manager for the Oroville Relicensing Program. I've been with the Department approximately 25 years mainly on the power side of the house.

I will be giving you some brief introductions, and then I'll be turning it over to one of our featured speakers here, presenters, Mr. Tim Welch

with the Federal Energy Regulatory Commission. He will explain the FERC perspective, and he'll explain the context in which this scoping meeting is taking place. I will then return to the podium and talk specifically about our Oroville Program and share with you how we are conducting the scoping process and also let you know some of the issues that our ongoing, Collaborative process has uncovered.

Now, I'm using some terms of art here, and Tim Welch will explain in a little more detail exactly what we mean by the Collaborative and Alternative Licensing Procedures. And then after -- after Tim and my presentation, then we'll turn the meeting over to our facilitator, Ms. Patti Kroen, who will help conduct the solicitation of comments that are an important part of this process. And I believe we have upwards of 10 to 15 speakers that have signed up. So it will be very interesting to hear what additional comments we receive.

For those of you that don't know, we did have a public meeting last night in the city of Oroville where we got some interesting input from community representatives and others. We also had a site visit that took place yesterday morning as well, all part of our scoping process. So I hope -- I hope this

particular meeting will be as informative and useful as the other meeting.

And with that, let me turn it over to Mr. Tim Welch, who will, again, give you the FERC perspective on scoping. And then I'll return with a DWR Oroville facilities specific discussion. Thank you.

MR. WELCH: Thanks, Rick.

As Rick said, I'm Tim Welch. And on behalf of the Federal Energy Regulatory Commission, I'd like to welcome you to what's technically the FERC scoping meeting. Now, typically we have our scoping meetings much later in the process after the application is filed. But with the advent of our new alternative licensing process, we felt it made a lot more sense to have scoping during the actual ALP itself because it's our feeling that the ALP process is scoping. And so it would make -- just, as I said, make more sense for us to have this scoping meeting sort of at this time. And the reason we have to have these meetings is following the guidelines of the Council for Environmental Quality.

So who are we? Who is FERC? We're the Interstate Regulatory Authority, and we regulate in five different areas: Electric power, natural gas, and oil pipeline and, of course, the reason we're

here today is we regulate the non-federal hydroelectric industry.

For those of you that don't know, the Commission is made up of five different commissioners. Right now we have four sitting commissioners and one nominee that will be before the Senate. And these five commissioners are all appointed by the president. Our current chairman is Pat Wood from Texas -- no surprise there -- who recently became the chairman probably maybe two months ago.

Now, within the Commission itself, I work as part of the technical staff in the office of what's called the Office of Energy Projects. And our office specifically administers the non-federal hydropower program, which sort of boils down to issuing and reissuing licenses to operate hydroelectric projects for 30 to 50 years.

We have two locations. I'm from the headquarters, which is in Washington, D.C., which is where most of our staff is located. However, we have regional offices in New York, Atlanta, Chicago, Portland and San Francisco. And those offices are staffed primarily by our regional inspectors who are part of our Dam Safety Program.

Now, within the Office of Energy Projects, we have the Division of Environmental and Engineering Review, which is our -- basically our licensing technical staff of which I'm a part. I'm a fishery biologist. We also employ engineers and recreation specialists, archaeologists, a couple of economists, geologists. So most of the technical group that prepare the actual NEPA documents are within the Environmental and Engineering Review.

Now, on the -- we also have a group that takes care of the license after it's been issued, the Hydropower Compliance and Administration Group. As I mentioned earlier, we have our Dam Safety and Inspections Program, and finally our gas group that does NEPA documents for gas pipeline certificates.

So how is the public typically involved in the licensing process? Well, the Federal Power Act has provisions under Section 10A and 4E where it mandates that FERC determines that a license be best adapted to serve the public interest. So this is -- this is the key thing for FERC. It's our goal to issue a license that's within the public interest. Not always an easy thing to do, but we -- but we're hoping that our new alternative licensing process, which this particular relicensing, 2100 is a part of,

will help us get to the public interest decision that we need to meet. So within -- within the licensing process, there's very -- there's quite a few opportunities for public involvement.

So as Rick mentioned, for those of you that don't know, the licensing process can be very complex. And this is one of the big reasons, is that it involves not only the Federal Power Act, but it can involve many other acts of Congress all coming together under the umbrella of licensing or relicensing. The most prominent, of course, is NEPA, which is the reason why we're doing our Environmental Impact Statements and our Environmental Assessments. The Clean Water Act plays a huge role with 401 Water Quality Certificates that every project needs. The Fish and Wildlife Coordination Act requires us to set up our regulations so that we consult with the U.S. Fish and Wildlife Service, the National Fishery Service and state agencies, among others. And, of course, something that's been playing a bigger and bigger role in the last decade or so, the Endangered Species Act. As more fish populations and terrestrial populations are listed, when we take -- this is a federal action by FERC, which kicks -- goes under Section 7 of the Endangered Species Act where

FERC has to consult. The National Historic Preservation Act for culture resources. CZMA sometimes comes into play as well as the Wild and Scenic Rivers Act. So it can mean a lot of coordination with a lot of other federal agencies.

So basically most applicants have two choices when it comes time for their licenses to expire. They can use what we term our traditional licensing process, which is the one that's been in place for quite a few years; and then our most recent process we put together about five or six years ago, we call the Alternative Licensing Process, some call the Collaborative Process, and that's -- the ALP is what DWR is following. So I'm going to talk a little bit more about the Alternative Licensing Process and how it differs from our traditional approach.

Now, here we represent our traditional approach. This is a slide that I put together a number of years ago that goes into a lot more detail than this for our Outreach Program. And it just -- we thought it was a good way of presenting what we call a living license. And I remember the first time I presented our process in a circular manner, regardless to say, I got a lot of strange looks from a lot of the applicants in the office -- or in the

audience that said "You mean it just goes around and around forever?" You know, not really, but -- we just thought that was a good way of approaching it.

So anyway, with the traditional approach, you begin the preapplication process three to five years before the application is due to be filed at FERC, and you go through what's called a three-stage consultation. Very regulatory in nature. The outline -- or the regulations outline things in very -- a lot of detail. There's opportunity for like at least one public meeting that involves public and NGOs, but it's primarily focused on resource agencies and Indian tribes. So that our traditional process, three-stage consultation was focused and it had a little bit of public involvement but not a lot. Typically the public would not get involved until after the application is filed with FERC.

So once, you know, the application is filed and FERC goes and does its NEPA process, which typically can take -- well, in the case of a recent California licensing, it took us about 29 years. So we're not proud of that.

So back in -- I'm sure many of you have probably heard of the FERC class of '93, which is a 157 applications that all expired around the same

time. They were going to expire -- or, excuse me, expire in 1993. So we had 157 applications filed with FERC in 1991. A huge, huge glut of applications that FERC needed to process with its traditional process.

The problem -- the biggest problem that we had, we found that 94 percent of those 157 applications, once they came to FERC, they still needed additional information that FERC staff would need in order to make -- in order to finish their NEPA document and for the Commission to make its public interest call. So we were going out with a lot of letters back to applicants -- this is after that three-stage consultation process for -- especially for additional studies. And sometimes those additional studies, those of you who are from resource agencies understand that, you know, it's -- sometimes you need two, three, four field seasons to get a lot of these studies done. It took a lot of -- a lot of time.

So that meant only 15 percent were completed by the expiration date, and the remainder had to go on annual license. So it was a real protracted process. Now we've completed -- we're almost done. We've completed about 143 -- actually, it's probably

a little bit higher now -- to date.

And here is -- the second big component was 80 percent of the completions had rehearings. In other words, 80 percent of the time there were a lot of unhappy people with the license. And the rehearing process is something where when -- it's like -- for lack of a better term, it used to be called an appeal process, but that's another story. But it's like an appeal process. You come back and you must file a rehearing with FERC. And if you're not satisfied there, then it moves into the court system. So this is the beginnings of a lot of litigation. Eighty percent of those things -- of these applications had rehearings.

We never -- right now we have 14 of them that remain because of maybe a CZMA issue or 401 issue, and there might be some ongoing settlement negotiations.

So after that, FERC's staff sort of came to a few conclusions in that our traditional licensing process was -- number one, it was too long. It just took too much time. A lot of good benefits to the resources had to wait. Things were delayed. People weren't happy. Believe it or not, a lot of applicants weren't happy, I mean, with this -- sort

of this new age of power markets and things and economic uncertainty. I think a lot of the industry wants some kind of uncertainty. They don't want their license held in limbo forever while things are worked out. And we also felt because of all those rehearings that the process had become too contentious. People were not communicating.

So we came up with this Alternative Licensing Process. And the key here was to try to expand the participation in the FERC process; expand it out to the public, expand it out to the NGOs, move it beyond the resource agencies and the tribes at a very early stage in order to resolve conflicts early in the process before it comes -- the -- before the application comes to FERC and try to accommodate more of the interests of the participants.

So the goals of our Alternative Licensing was to essentially, what we call, front load NEPA. Move a lot of the NEPA work from the FERC side of that circle over to the three-stage consultation side and get a lot of the work done a lot earlier, which is why we're having these scoping meetings here today and now. And so we did this so we can facilitate an evaluation of all stakeholder interests early in the process. And we -- hopefully this will expedite the

licensing process. And we are beginning to see that it does.

So getting back to our circle. Beginning the ALP, typically three to five years, sometimes much earlier than that. So that there's an ALP team which Rick's going to describe in detail, how DWR's approaching the problem. The ALP team consists of -- typically a plenary body, a large body, a lot of stakeholders, then a lot of technical work groups, environmental, engineering, recreation, however the group decides to do it, and a lot of task forces and subgroups.

And then with the -- with the goal that this application is going to be filed by this ALP team and then given over to the FERC team, which still has its own NEPA responsibilities that we -- that we have to do -- we still have to do either our EIS or EA and then get into a license decision. So we're hoping that we use this time effectively to cut down the number of time that the application sits in Washington being made for -- being with -- with decisions that are being made primarily for people inside the Beltway.

So this is a little bit more detail. A lot of these things that used to be over here are now over

here. So we have Collaborative meetings and scoping, like we're here today, to the development of study plans so studies can be conducted and the results issued, and then the groups can decide if more studies are needed with a goal of coming up with some sort of a preliminary DEA that FERC can use in preparing its own Draft and Final NEPA document. And hopefully we also will -- hope that we can get from the resource agencies at least draft recommendations and conditions up front and early in the process.

So, you know, I'm not going to go through one -- each one of these, but some of the more important things here, as I said, the traditional process, very regulatory. Not a lot of flexibility. Alternative process, you design the process. You design your own process, when study plans are going to be reviewed, how long do you have. It's totally, totally up to you.

Traditional is focused on exchanging a lot of mail back and forth. Alternative -- and I don't have to say this, involves a lot of meetings. And a lot of you are going "Yeah, no kidding."

The traditional is applicant and agency driven. This is more locally driven. This is a big one for me is that because of the contentious nature

of the traditional process, environmental benefits might be delayed. Through the alternative, the environmental benefits can be realized sooner.

And in the traditional process, not a lot of room for FERC participation. And a lot more room for FERC participation in the alternative process.

So what have we seen so far? So under the ALP we've licensed 21 projects, and right now we're like seven months to two years processing time down from, say, you know, two to five years on the average of processing time. Our average is about 17 months. We're trying to get that down even further. Right now we have 10 projects in front of us with ALP applications and 36 projects, of which this is one, that are in the prefiling stage of an ALP. Hopefully, like I said before, less need for additional information when it comes to FERC and fewer hearings.

So what have we got going today? What are the kinds of things we're looking for. We're here today primarily to identify issues, to solicit information from you folks. Something we probably won't be getting into a whole heck of a lot today -- the work groups are primarily working on this one -- the depth of the analysis, how we're going to do our NEPA

Analysis, maybe identifying any cumulative impacts that some of the work groups may have missed and, if possible, identifying any reasonable alternatives from the project.

So basically we're looking for your comments.

Thank you.

MR. RAMIREZ: Thank you, Tim.

The thing I like best about those FERC presentations is that I'm always able to point to them as the creators of this process that we're following. Because in reality, it's quite a challenge to conduct all the different elements of that process and to involve all the different players in a manner in which we try to collaborate with all the different interests. The reality is there's a lot of conflicting interests, and we are working very hard to try to find a way of accommodating and/or balancing those interests with the Department's primary objective in the relicensing, which is to run its water project or run the Oroville facilities as part of that water project.

But thanks, Tim. There was a lot of good information that I think people aren't always aware of.

What I want to do in the time I've got now is

to kind of place the scoping meeting today and the one we had yesterday within the context of the overall relicensing process. And as I mentioned in my opening remarks, we had a lot of information on display, and we had people that were available to answer any questions you might have had.

And Tim referred to some of the breakdowns -- or some of the resource interests that are involved in relicensing, and that's exactly what we have in our particular process. You see them there by topic.

But I do want to get on quickly to the reason we're here, which is collection of public comments. So I'm going to go through our next couple of slides fairly quickly, but just -- just touch base, though, again on what we hope to accomplish with the overall scoping process, and that is to summarize environmental issues, help determine what issues should be addressed in the relicensing process. And, as Tim mentioned, we are combining the results of this meeting in terms of public comment, public input with our ongoing work group and Collaborative process.

Next slide. And, again, just briefly, we've heard from Tim from FERC as to what relicensing is. And it's the process by which the generation

facilities, in this case the Oroville facilities, are licensed by the -- by FERC. We're hoping to get a new license, and that license will specify terms and conditions that will determine how the facilities are operated. There will be terms and conditions that translate any protection mitigation and enhancement measures that would be required to address any potential resource concerns with our proposed operation over the new life of the license.

Just a few facts about the Oroville facilities. As I mentioned, they're part of the State Water Project. The State Water Project, of course, is intended to supply supplemental water deliveries to 29 state water contractors that receive water from the -- from California Aqueduct. The Oroville facilities has an existing FERC license boundary that encompasses 41,000 -- just over 41,000 acres. The license capacity of the power facilities is at 762. The Oroville facilities are a multipurpose project which provides flood protection, recreation, enhances fish and wildlife habitat, and also improves water quality through releases that make it to the Delta.

We have selected the ALP. I think Tim identified the benefits that we hope to realize from

going through the ALP as opposed to the traditional. And we have, in fact, have maybe just under a year of experience with the Collaborative. We've had meetings upon meetings. Someone has actually -- making a count of all the meetings. I don't think any one of us quite yet realize how many meetings we've had. There's been so many meetings in different resources areas that I think we'll be surprised by the number of meetings we've had. But they have made progress. I'm happy to say there's been progress in just about every area. And so we have progressed very, very slowly, but we have made progress along all fronts.

The structure we have developed in conjunction with the stakeholders is what you see in front of you there on that slide. We have separate work groups in each of those different resource areas. They conduct their own separate meetings on a monthly basis. They have convened task forces to look at specific issues. They, in turn, are feeding results back up to the overarching plenary group where the stakeholders and the applicant are able to look over the entire process and see exactly how different issues may need to be balanced.

This is just a sample list, actually, of some

of the participants that have been active in the process. I won't go through them item by item, but I think you would find several specific categories there. We have very active Indian tribe involvement in the Oroville area. The federal government has identified four recognized -- federally recognized tribes in the Oroville Project area. So we have had quite a bit of Indian tribe involvement. We've also had a large element of local recreation interest that has been active in the process. We've had local and county governments. We've had various state agencies. And, of course, we've had a large presence from the federal agencies. And so we convene monthly meetings with various elements from the stakeholder group. I believe our total contact list for this project now totals about 1,200. Fortunately they don't all show up for every meeting, but we do get quite a turnout.

Okay. It looks like we're trying to sneak an extra year in there. I see "2002" twice. Maybe that will work.

MS. KROEN: It's going to be a long year.

MR. RAMIREZ: Maybe that will work. But this is just meant to show what the overall process is trying to meet. The date that we cannot change, of

course, is when the license expires in 2007. And we also cannot change the date that the license -- the new license application must be filed, which is in 2005. So between now and 2005, we are attempting to identify studies, conduct those studies, and then see how those studies support PM&E measures that will lead to terms and conditions that appear in the license.

We also, because this is a collaborative process, hope to come to agreement with stakeholders. And so we'll see evidence of that in our settlement agreement which should follow the studies that will provide data to help drive specific proposals.

Now, I believe out on the tables in the lobby area we do have Scoping Document 1 which was distributed, I believe, earlier last month. Let me see if we've got that. Yeah, actually, September -- September 27th. Within the Scoping Document you will see exactly what issues that the Collaborative Group have identified and which are candidates for further study as the process continues to unfold. We'll combine any comments we get through this process and the meeting last night with those particular issues. And our goal is to issue the final Scoping Document No. 1 early next year.

Just to give you an inkling of the types of issues, we've got a couple of slides here that I'll go through very quickly. But in the area of recreation and socioeconomics, there's been questions as to the adequacy of our existing project recreation facilities. There's been other questions related to what have been the economic impacts of the Oroville facilities on the local area.

One thing I did fail to mention is that this slide presentation will be available to anybody that wants it on our Oroville Relicensing website. And I'll give you the address of that in just a few minutes.

On the environmental side, our Environmental Work Group has uncovered some issues that need to be studied in the area of geology, water quantity, quality, terrestrial, fisheries, et cetera. And I'll leave it to you to look at those at your leisure later. Engineering and Operations, we're evaluating the potential for adding additional generation within the existing infrastructure. It's possible we'll be looking at the effect of future water demands on various aspects. Land use, land management and aesthetics, another resource area that we are looking at. People have asked about our existing and future

fuel loads, fuel management practices. There's a question about the use of project lands for public use, access, et cetera.

Cultural resources, there -- as I mentioned earlier, there's been a large representation by the federally recognized tribes and actually unrecognized tribes as well that have led to a separate work group. And we are actively engaged with them on issues that they feel are very important to their -- to their particular interests. And, again, all these issues must be examined within the -- as the word is used, the nexus to project operation. We are interested as an applicant in seeing how our project affects each of these resource areas and what we might do in our operation to mitigate, protect or enhance any impacts or use of those particular cultural resources. So, again, I just want to stress that there is that nexus. It's -- the Department as an applicant is trying to assess how its proposed operation does, in fact, affect these areas.

Okay. I actually think that concludes my portion. I think we're going to have Patti Kroen, who's been our facilitator in the Collaborative spend a few minutes specifying how our public comment portion of this meeting will be conducted.

Thank you.

MS. KROEN: Thank you, Rick.

I'd like to add my welcome to all of you. As Rick mentioned, I have had the privilege of facilitating all those meetings that Tim and Rick mentioned as a part of the Oroville Facilities Relicensing Collaborative Process.

The way -- the way we're going to run this this afternoon, same -- same as we did last night. As you came in and signed in, you were asked if you wished to speak. And those of you who knew at that time you wanted to speak, signed up on a sheet. I have that sheet in front of me, and it includes 12 names. First in will be first up. So I'll read the list of names to you, and you'll know in what order you'll speak.

We do have Sandra here, who is the court reporter, and her job is to make sure that the comments you provide are taken down correctly. That requires you to do a couple of things. Remember that you can read faster than anyone can type. So you need to really slow down. If you have a prepared statement and you can leave it with us, that would be great. And then perhaps just summarize -- I'm a little close to this, I guess -- summarize your

comments into the microphone so that Sandra can take it down as you give the comments and you can provide a more lengthy written comment, if you like.

The written comments will be dealt with the same way as the oral comments given today. So if you don't speak today but you do want to submit written comments, you're encouraged to do that. There will be a slide up here in a moment that tells you where you can send them. In addition, the packet that you picked up at the table has a comment sheet in it, and it's designed so that you can write your comment on it and then fold it over and send it in to the address that's already stamped on the back of it. If you have more than one page of comments, of course, you can put it all in an envelope and send it along.

It says on the slide to limit your verbal comments to four minutes. I've taken the liberty of making a facilitator's choice and upped that to five minutes. So you have an extra minute. We have 12 folks who want to speak. So if all of you stay within the five-minute time frame, we'll have some time at the end for any of you who decide during the meeting that you'd like to speak. You'll be given an opportunity to approach the microphone and provide comments at that time.

Please keep your comments focused on the Oroville Facilities Relicensing. This setup doesn't afford a question-and-answer type of format, but all of these folks, Rick and Tim and the Resource area managers and the consulting team that are here today, would be happy to hang around -- excuse me -- a little bit after the meeting. If you have some questions that you'd like to ask them, please feel free to do that. And I hope you take advantage of checking out the information that's on the tables in the back of the room. There's some real good information back there.

There are also some business cards on each of the tables that include the contact information that will be on the next slide. So you don't have to write it all down here. The e-mail address, telephone, toll-free telephone number and address is included on that card. It's also included in the Scoping Document. So you should be able to figure out how to get comments submitted. Comments on the scoping document are due by November 26th. They're always welcome ahead of time.

So the order in which the comments will be received, I'll read the names through. Then if you'll come, approach the microphone. Make sure that

you give Sandra your name, spell it, the last name, if necessary, and your affiliation, if any. As soon as that process is done, we'll start the timer and you're off.

All right. So the order is Mike Wade, John Coburn, Mary Lou Cotton, Dan Smith, Nan Nalder -- I'll remind you of this as we go through so you don't have to remember. Ed Ely, Geoff Vanden Heuvel, Vincent Wong, Tim Quinn, Wilson Head, Don Marquez and Lisa Wolfe.

So Mike Wade and John Coburn are first.

Mike, you're up.

MR. WADE: Thank you.

My name is Mike Wade. I'm Executive Director of the California Farm Water Coalition. The only statewide non-profit education organization dedicated solely to providing factual information to the public on agricultural water use.

I'm sure others will attest to the importance of the water supply received from the State Water Project. In the agriculture sector, that water irrigates approximately 750,000 acres of some of the state's most fertile farmland. Water supplies from the State Water Project not only help feed the nation but the entire world.

Today, the agricultural economy is subject to many stresses and competitive forces in the global marketplace. Obviously a reliable and sufficient water supply is critically important in order for California growers to compete.

We all understand that California's current water supply is not adequate to meet the needs of farms, cities and the environment, not even in years of normal rain and snowfall and especially not in years of drought. Any reduction in water supplies available to the customers of the State Water Project due to regulatory actions under this relicensing process would have severe impacts and should be avoided.

Just as important as the sufficient quantities of water is the price of water. The State Water Project is user-financed. Each of the 29 contractors is required to pay its proportionate share of the capital operations and maintenance costs incurred by the project. As water supplies go down, because of these fixed costs, the unit price of water increases. As other costs go up, the net price of water goes up as well. This past year, because of the turmoil in our energy marketplace, we've seen significant price spikes in the cost of energy to deliver that water.

For example, in Kern County, the largest State Water Project agricultural water user has costs that average about $55 dollars an acre foot. Approximately 28 percent or $15.40 of that costs is attributable to the power required to move that water to Kern County. But this year, with only a 39 percent supply and a volatile energy market, that unit cost of water increased to about $150 an acre foot and power costs to move the water increased by 50 percent to 22.50 an acre foot.

In addition to the issue of price, water temperature and crop production in certain parts of the state are closely tied. According to the University of California Cooperative Extension, certain crops, such as rice, need water temperatures of at least 65 degrees during the four-week planting period in late spring and at least 59 degrees until the irrigation season is completed at the end of October.

Most Californians have invested in both the water and power benefits of the State Water Project. Those benefits accrue to the entire state by sustaining a dynamic economy and support our growing population. We cannot continue to prosper if we price our water supply out of reach of farmers. We

cannot meet the challenges of the future if we are constantly reducing the water and power supplies already developed and available for our use.

When relicensing the hydropower facilities at Lake Oroville, we ask that you keep these important benefits in mind as you reach decisions that can impact much of the state for years to come.

Thank you.

MS. KROEN: John Coburn.

MR. COBURN: Thank you, Patti.

I think it's somewhat uncanny that just about any of the drought hearings I go to or a hearing where I have to show up to defend the State Water Project water supply that it turns out to be raining on the way over here. So it seems like we're still batting a thousand today, but we hope we get lots more rain.

Good afternoon. My name is John Coburn. I'm the General Manager of the State Water Contractors. Retaining or enhancing the current water supply and power generation from the Oroville facilities is essential for maintaining a reliable and affordable water supply for the 23 million Californians and 750,000 acres of farmland served by the State Water Project.

The State Water Contractors represent 27 public agencies throughout California that have long-term water supply contracts for supplemental water supply from the State Water Project. Planned, constructed, operated by the California Department of Water Resources, the State Water Project is the largest state-built, user-financed, multipurpose water project in the United States. Its main purpose is water supply.

The project diverts and stores surplus water during wet periods and distributes it to service areas in northern California, San Francisco Bay Area, San Joaquin Valley, the Central Coast and Southern California. Other project purposes of the State Water Project include flood control, power generation, recreation, fish and wildlife protection, water quality improvement in the San Joaquin, Sacramento Delta.

The State Water Project Contractors, as a previous speaker noted, are responsible for all costs related to the water supply development and power generation from the Oroville facilities. State Water Contractors are concerned that operational changes that may be proposed during this relicensing process could negatively impact future water costs.

Operational changes that result in reducing power generation capability and flexibility will result in increased costs to the State Water Contractors and ultimately much of the state's population.

Any loss of generation at Oroville requires the State Water Project to purchase replacement energy. This not only increases the cost of water, it imposes an additional demand on an already scarce electrical energy supply within California. However, the State Water Contractors' greatest concern is the possibility that operational changes will erode the water supply available to the State Water Project.

California is on the verge of a water supply crisis that may well dwarf California's current energy crisis. The Oroville Relicensing Process must move forward without duplicating ongoing efforts on an environmental and flood management issues if we are to ensure sound management of the state's limited, limited water resources.

The State Water Contractors appreciate the need to protect California's environment. The State Water Contractors are deeply involved in the ongoing CalFed process. The CalFed, which is a consortium of state and federal resource agencies that is addressing the water quality, water supply, ecosystem

needs of the Sacramento, San Joaquin River Delta and San Francisco Bay issues. The CalFed process is striking a delicate balance between water supply and the environment. The impacts of the CalFed Programs will stretch well beyond the Bay-Delta area and encompasses the Feather River and the program's Solutions Area.

This relicensing process must proceed in full recognition of the overall CalFed Program, the Central Valley Project Improvement Act and other ecosystem restoration initiatives. State Water Project supplies are already contributing to the CalFed process and its success.

Similarly, a joint state and federal effort is underway to identify and address flood management, public safety and ecosystem restoration issues within the 43,000-square-mile Sacramento/San Joaquin River watersheds. Congress and the California legislature authorized this multi-agency effort in response to a massive Central Valley flooding that occurred in 1997. The goal of the Sacramento/San Joaquin River Basins Comprehensive Study is a master plan for the Sacramento/San Joaquin River Basins that address flood damage reduction and ecosystem restoration within the Central Valley.

The environment and flood management studies undertaken in the relicensing process need to be tightly focused within the project boundaries. Any options considered must be complimentary to ongoing efforts such as the CalFed Program and the Sacramento/San Joaquin Basins Comprehensive Study and not result in any additional losses of State Water Project water supplies.

Restructuring of the California power market has highlighted the importance of hydroelectric projects beyond their traditional capacity and energy production values. Maintaining or increasing the flexibility in releases is required to continue the beneficial use of the Oroville facilities for providing regulation, spinning reserves, non-spinning reserves, replacement reserves and voltage control required for a reliable operation of the State Water Project and the California power grid.

MS. KROEN: Wrap it up.

MR. COBURN: Okay. One last paragraph.

The State Water Contractors recommend -- recognize that the relicensing process involves the balancing of water and power supply benefits with environmental, recreation and flood management needs. The State Water Contractors urge the Department of

Water Resources and the other relicensing participants to seek innovative and creative solutions to meet those needs, solutions that do not needlessly sacrifice precious power and water resources.

We will be submitting additional comments before the November 26th deadline. Thank you.

MS. KROEN: Mary Lou Cotton.

MS. COTTON: I am Mary Lou Cotton -- C-o-t-t-o-n -- Assistant to the General Manager of the Castaic Lake Water Agency. That's C-a-s-t-a-i-c.

The Castaic Lake Water Agency is a contractor with the California Department of Water Resources for our water supply from the State Water Project. The agency's service area is comprised of the Santa Clarita Valley located in northern Los Angeles and eastern Ventura Counties. Our SWP supply meets approximately 50 percent of our local water demand and is vital to the economic well-being of our community.

As an SWP contractor, the agency is responsible for its portion of the costs to water -- to water supply development and power generation at the Oroville facilities. Any operational changes that result in reducing the power generation

capability and flexibility will result in increased costs to the agency and to all the SWP contractors.

Of greater concern to our agency and the other contractors is the possibility that operational changes will erode the water supply available to the project. It's hard to imagine any credible operational changes that would justify reducing the water supply yield from the Oroville facilities.

While the agency appreciates the need to protect California's environment, we are very concerned about the potential for duplication of efforts between the Oroville Relicensing Process, the CalFed Bay-Delta Program, the Central Valley Project Improvement Act and other programs.

The environmental studies undertaken in the relicensing process need to be tightly focused within the project boundary, and any options considered must be complimentary to the CalFed Program and not result in losses to State Water Project water supplies.

The agency recognizes that the FERC relicensing process involves the balancing of power and water supply benefits with environmental, recreational and flood management needs.

We urge that this process seek solutions to meet these needs, but they should be solutions that

do not sacrifice water and power resources.

Too late.

MS. KROEN: Nice try, Will.

Dan Smith.

MR. SMITH: My name is Dan Smith. I'm Director of Regulatory Affairs for the Association of California Water Agencies.

The Association is comprised of about -- just in time -- 400 public agency water suppliers throughout the state that deliver about 90 percent of the distributed water in California for farms, homes and businesses. Many of the State Water Contractors are members of our Association.

I'm going to leave behind a written statement, so I'm just going to summarize a couple of points here.

Our Association of water leaders over the past century have worked very hard to keep coming for Californians a supply that will meet the growing needs that we have experienced. That has become increasingly difficult over the past 20 years. And in the past 10 years, we've actually seen a reduction in the available water supply, 1 million acre-feet during a dry year. And that's primarily the result of regulatory and legislative actions. So as you

might guess, we're very wary of regulatory proceedings that will have impact on water supply.

But we want to urge that the participants in this proceeding be aware that the actions they take, the decisions they make will have significant impact on most of California and most Californians.

In our view, a successful relicensing proceeding will be one that retains the important power and water benefits of the Oroville facilities. And we hope the decision makers agree with us.

Thank you.

MS. KROEN: Nan Nalder.

MS. NALDER: Thank you. My name is Nan Nalder, and I was asked to read a statement into the record for a person who could not be here. So I'm making these comments on behalf of Dominic DiMare from the California Chamber of Commerce. And we have given nine copies of these comments so that you can take your notes carefully and not worry about it.

The Chamber of Commerce represents over 12,000 businesses. And they very much appreciate the opportunity today to provide the Commission and the rest of you in the audience with our thoughts concerning the relicensing.

For more than a year, California has struggled

to extricate itself from the grips of an energy crisis. Last fall and winter, California weathered a series of rolling blackouts attributable to an insufficient supply of electricity. There were many days when the State Reserve Margin dipped below 1.5 percent. Our business leaders and elected officials have come to appreciate that every megawatt counts.

Over reliance on electricity generated outside of our state puts us vulnerable to blackouts. And we are very concerned that we retain the entire output of the Oroville facilities to keep the grid stable and to provide the energy that we so very much need to keep California in a stable sense.

Like electricity, California faces difficult challenges concerning water supply and price. As the state's population continues to grow -- and I think you've heard some figures of this from the earlier speakers -- it's very difficult to be able to meet that demand. And so our members are also wanting to encourage the Commission and the other participants to keep this in mind as you deliberate through this relicensing.

We support -- this is important -- that the Chamber of Commerce supports the Department and supports the participants in this Alternative

Relicensing. We support the Commission, and we want very much to see this project relicensed. We'd request that you take into consideration our concerns, and we thank you very much for giving us the opportunity to present this for the record. And we did provide copies.

Thank you.

MS. KROEN: Thanks, Nan.

Ed Ely.

MR. ELY: My name is Ed Ely -- E-l-y. We've also provided copies of this for the record. I'm presenting this statement on behalf of Rex Hime, California Business Properties Association.

On behalf of the California Business Properties Association, I want to thank the Commission for this opportunity to be able to address the vital importance of the Lake Oroville hydropower facilities in the state's overall economy.

By way of background, California Business Properties Association is the leading designated legislative advocate for the International Council of Shopping Centers, the California Chapters of the National Association of Industrial Office Properties, Associated Builders and Contractors of California, Commercial Real Estate Women and the Institute of

Real Estate Management.

The California the Business Properties Association represents over 5,000 members, including major landowners, developers, retailers, tenants, contractors, builders, lawyers, brokers and individuals involved in all aspects of commercial and industrial real estate.

I can tell you from firsthand experience that it is difficult, time consuming and a contentious process in this state to bring new water supplies on line to meet the needs of our growing economy. That is why it is so important that we maintain the water supply that we currently have because we can't afford to lose any more ground.

The business community became actively involved in the California water issues during the last drought when regulatory constraints and naturally occurring water shortages put the state's economy and environment on a collision course.

At our prompting, the state of California and the federal government developed the Bay-Delta Accord to stabilize environmental resources in the Bay-Delta and resource a measure of reliability to water supplies dried from the state and federal water projects.

From that agreement, we embarked on a lengthy progress known as the CalFed Bay-Delta Program which sought to develop and implement a long-term comprehensive solution to the environmental and water management conflicts that had long plagued the Bay-Delta Estuary. That process culminated last year in a creative decision between the state and federal government.

This year we are working hard to get a federal -- to get federal legislative passed to implement that agreement. Over the past decade, we have seen well over a million acre feet of water previously dedicated to use on farms and in the cities reallocated for environmental purposes. A cornerstone of the CalFed solution is recognizing the need to develop more water storage. We are certainly not there yet, and we have a long way to go before we attain that critical goal. In the meantime, we must draw a line in the sand and closely question any regulatory proceeding that would further reduce our current water supplies. The bar must be raised high to justify any such action.

The CalFed solution area encompasses the Feather River Watershed, and any additional environmental actions contemplated by this

relicensing must not be duplicative of those efforts.

Californians have invested more than $9 billion in the State Water Project, a significant portion of which went to building Lake Oroville and the associated hydropower facilities. Today, more than 30 years after the first deliveries from the project were made to the Bay Area, we still do not have the full supply developed.

An adequate supply of high-quality water is one of the key priorities of the California business community. Actions taken in this relicensing process will not affect just the immediate Oroville area, but will resonate throughout most of California. The process must fully weigh its actions in light of their potential negative impacts. California cannot afford to lose any more water due to regulatory fiat.

Thank you for your consideration.

MS. KROEN: Geoff Vanden Heuvel. Is that close?

MR. VANDEN HEUVEL: That's very good.

Geoffrey is G-e-o-f-f-r-e-y. Vanden Heuvel is V-a-n-d-e-n, H-e-u-v-e-l. And I'm presenting testimony regarding the relicensing of the Oroville hydropower facilities on behalf of the Southern

California Water Committee.

The Southern California Water Committee is a nonprofit, nonpartisan educational organization dedicated to ensuring that California has sufficient water supplies to support a strong economy and growing population.

Southern California Water Committee is a powerful voice for Southern California because it reflects a broad consensus on water issues. The Committee is composed of leaders from business, government, agriculture and water agencies in Los Angeles, Orange, San Diego, San Bernardino, Imperial, Riverside, Ventura and Kern Counties. For example, our members include Unocal, Anheuser-Busch, Pacific Telesis Group, Proctor & Gamble, Ralph's, Food 4 Less, The Gas Company, Sunkist Growers, Heinz Nurseries, The Building Industry Association of Southern California, Milk Producers Council, and over 40 cities and their City Councils.

Water is our sole interest. We are an independent advocate for Southern California's water interests. As an organization, we have been actively involved in the CalFed Bay-Delta Program and a 4.4 Plan for the Colorado River. Strong leadership and the collective expertise of our members allow the

Water Committee to contribute ample resources and viable strategies toward resolving these statewide efforts.

Southern California has undergone a dramatic shift over the past decade in how our water supplies are managed. Our large urban areas are essentially getting by on the same amounts of water they used ten years ago despite sizeable population increases. We are able to do that in part thanks to extraordinary levels of water conservation and water recycling. We are a national leader in water-use efficiency.

We have also seen increased regional efforts to maximize local water resources so that we can be assured of having necessary water supplies in the inevitable dry years. Nonetheless, the region's water future is not completely assured. We face challenges in meeting the requirement to reduce our dependence on the Colorado River. The State Water Project's supply reliability is in part contingent on continued progress in implementing the CalFed solution. Overall planning efforts to meet our expected future water needs are predicated in part on certain levels of water supply reliability from the State Water Project.

Project water is important not only to meet

the immediate supplemental supply needs of Southern California, but also to allow us to meet water quality goals by blending -- which we need the clean water to blend with the Colorado River supplies which are high in salt.

Southern California has already lost significant water supplies under the Bay-Delta Accord and other regulatory actions. We have not seen any of the new supplies promised under the CalFed Program. We cannot afford to further reduce the amount of supplement water necessary to support Southern California's economy and population.

Our goal for the relicensing of the Oroville hydropower facilities is to maintain the level of benefits we currently receive from water stored at the reservoir and to continue to use project-generated power to help offset the cost of that water.

Southern California has invested billions of dollars to the State Water Project, including the Oroville facilities. This is an investment that we absolutely need to protect.

MS. KROEN: Vince Wong.

MR. WONG: Thank you, Patti. I've submitted written comments as well, so I'll just paraphrase my

statements.

I'm Vincent Wong -- W-o-n-g -- with Zone 7 of Alameda County Flood Control and Water Conservation District. I'm here to stress the importance of retaining and enhancing the water supply and power generation of the Oroville facilities. It's essential for maintaining the -- the economy of -- the -- my community as well as California as a whole.

Zone 7 is in the eastern portion of Alameda County, representing 180,000 people, serving Livermore, Pleasanton and Dublin. We're one of three contractors serving the southern and eastern portion of the Bay Area.

Basically, there are three points I want to make. One of them is that any operational changes in reducing power generation will increase the cost to my constituency. These are costs that will have to be covered by all of the constituency in the state of California. More important is any operational changes that will erode the water supply is very stressful to us.

The water supply contract that we signed in 1961 called for, aggregately, 4 million acre-feet. We know that the project can only on an average produce about three-fourths of that.

Lastly, I wanted to point out that it's important for the relicensing process to recognize the CalFed, the Central Valley Improvement Act and other ecosystem restoration initiatives. We recognize the importance of balancing the environment with water supply as well as flood control and recreation. But it's important that the environmental studies of the relicensing process be tightly and strictly focused within the project boundary. The relicensing program should recognize and work as a complement to the existing programs in the state of California.

Thank you for considering our comments, not only on behalf of Zone 7, but on behalf of the state of California. Thank you.

MS. KROEN: Tim Quinn. Tim Quinn?

Okay. Wilson Head.

MR. HEAD: I'm Wilson Head. I'm an operations engineer with the California Independent System Operator. On a daily basis, I provide engineering support to the realtime operation of the electric transmission system of northern California, including that of the Oroville complex, commonly referred to as Hyatt-Thermalito. I'm also a member of the Sacramento Valley Study Group whose main purpose is

to identify and encourage operating practices that will ensure reliable electric transmission system operation in the Sacramento Valley.

The ISO recognizes Hyatt-Thermalito as a significant contributor to the overall supply reliability of electricity and has a very important role in the daily operations of the electric transmission system.

Please bear in mind that the ISO-controlled grids are a part of a vast interconnected system, including electrical ties to the west of the western United States and Canada as well as ties to the hydroelectric pump generating plant at Hyatt-Thermalito.

Undoubtedly, significant operational difficulties presently exist within the ISO-controlled grid. These difficulties are the effects -- are due to the effects of insufficient generating capacity throughout the state and other grid reliability concerns such as voltage stability and equipment overloads. The complex helps the ISO manage these kinds of problems on a daily basis.

I just learned today that the complex is licensed for just over 716 megawatts, but I also understand that it can generate more than 900

megawatts, representing a substantial contribution to the electrical supply reliability throughout California. This magnitude of power is capable of serving well over 500,000 households, businesses and public facilities. Without the generating resources contributed by the complex, California is considerably more vulnerable to any additional supply shortages.

Generating facilities at Hyatt-Thermalito have also provided the ISO a variety of ancillary services required to operate the grid reliably. Those services include frequency regulation, very important; voltage support, equally important; operating reserve capacity and supplemental energy.

The hydroelectric complex is an especially unique and invaluable resource that is capable of fast response to electric demand changes. And furthermore, it's capable of recycling its energy by pumping water back upstream to improve operational flexibility and provide generation capacity during times of high power demand.

So the ISO looks forward to undiminished generating capacity during the FERC relicensing process and -- both for the energy it supplies to California and the additional reliability it provides

to the ISO grid.

Upon relicensing, the pump generator complex would be counted upon to continue to help mitigate these electric system operational issues and remain standing as a basic infrastructure element for reliable Northern California electric system.

Thank you.

MS. KROEN: Don Marquez.

MR. MARQUEZ: Thank you, Patti.

My name is Don Marquez, Senior Engineer with the Kern County Water Agency, and I'm going to be delivering comments for our General Manager Thomas Clark.

The Kern County Water Agency is the largest agricultural State Water Project contractor and the third largest municipal and industrial State Water Project contractor. We have a total contract annual entitlement from the state of California for 1 million -- approximately 1.1 million acre-feet.

Under the terms of the Agency's water supply contract with the state, the Agency is responsible for repaying with interest its allocated share of the costs for developing and delivering State Water Project supplies. The Agency's initial bill for 2002 water delivery totals approximately $73 million. And

through the end of 2000, during the last 34 years, the Agency has repayed more than $1 billion of the State Water Project costs.

We provide water service to over 600,000 acres of farmland and about one-third of the homes and businesses in the metropolitan Bakersfield area.

Operational changes that result in reducing power generation capability and flexibility result in increased water costs to the Agency and ultimately to our landowners and other ratepayers. Of equal or greater concern to the Agency and the other contractors is the possibility that operational changes will erode our water supply.

California is on the verge of a water supply crisis that may well dwarf California's current energy crisis. During the last two years, under current regulatory conditions, the Agency's annual water allocation was reduced by 10 and 61 percent, respectively. It is inconceivable that any potential operational change would justify further reducing the water supply yield from the Oroville facilities.

I think that pretty much summarizes our -- most of our comments. We may submit some additional comments before the deadline. Thank you.

MS. KROEN: Thank you, Don.

Lisa Wolfe.

MS. WOLFE: Good afternoon. My name is Lisa Wolfe. I am a staff counsel with the State Electricity Oversight Board.

The California Electricity Oversight Board was created back in 1996 as a part of the Electric Industry Restructuring Legislation. Our statutory responsibility includes oversight of the California Independent System Operator, also known as the ISO. Of course, the ISO is charged with managing the state's power grid and it also runs realtime markets for energy and for ancillary services.

The California Electric Oversight Board takes this opportunity to express its opinion regarding the electrical value of continued operation of the Oroville facilities. The Department of Water Resources operates the Oroville facilities as part of the State Water Project. Although the State Water Project is essentially a net user of energy, it is operated in a manner to maximize its on-peak generation and its off-peak water pumping. This allows for the Department of Water Resources to market surplus generation.

Essentially, DWR enters into a variety of bilateral agreements and arrangements to market the

surplus on-peak as well as off-peak generation from the SWP for the State Water Project power system. This includes the Oroville facilities.

DWR sells the surplus energy to the ISO and to the energy purchasing arm of the DWR. Also, the Oroville facilities contribute to the ancillary services that the Department of Water Resources sells into the ISO's ancillary services market, and, pursuant to contractual arrangements, SCE receives a portion of the ancillary services that are provided by the Oroville facilities.

Overall, the EOB underscores the important and significant electric contribution of the Oroville facilities, including the provision of needed ancillary services that maintain grid reliability.

Thank you.

MS. KROEN: Tim Quinn?

Ken, are you going to pinch hit?

MR. KULES: My name is not Tim Quinn. My name is Ken Kules, and that's spelled K-u-l-e-s. It's a good Russian name.

I won't reiterate some of the remarks that were made earlier. I do have Tim's written remarks that I'll turn in. But what I do want to do is focus on -- mention a couple of things -- several things.

One, I do want to point out again the remarks of the last commentor that pointed out the fact that the project operates to provide peak power to the state of California, and the project -- the State Water Project as a user emphasizes its use of power off peak. And we believe that to be very important.

I would also like to sort of chime in on the comments related to CalFed. We strongly believe that it would be highly inappropriate for the process to second guess the measures and level of protection for the environment developed through the CalFed process.

Lastly, I'd like to talk a little bit about Southern California. With regard to the water supply issues, the CalFed process has strongly emphasized development of local resources and other innovative management approaches to meet growing demands for water in California. Nowhere has this mandate been more fully implemented than in Southern California where we are planning billions of dollars in investment in reclamation, conservation, water transfers, south of Delta storage and other measures to reduce the demands for State Water Project in normal and critically dry years.

The fact is that in Southern California, we're not trying to rely on supplies from Oroville

Reservoir to meet growing demands for water. While the reliability of existing State Water Project supplies is critical for the regional economy, additional supplies from Oroville are not part of our plans to meet Southern California's future water supply needs. We respectfully request that this fundamental fact be recognized as this process moves forward.

Thank you very much for this opportunity to express Tim Quinn's views and Metropolitan Water District's regarding this important proceeding. Thank you.

MS. KROEN: Thanks, Ken.

Anyone else in the audience that would care to provide comments at this time?

Okay. I see it's about 3:20 by my not very accurate watch. I think the folks of the process will hang around. And I'd like to give Rick an opportunity to provide some final comments here.

MR. RAMIREZ: Okay. Well, thank you. That essentially concludes our formal presentation. I think we've heard some interesting comments over the last 30, 40 minutes that really is going to be an important element of the relicensing process. So I would like to thank the commentors for taking the

time and making the effort to get that on the record. I think that will be very helpful in the overall decision-making process.

With that, I, again, will reiterate Patti's comment. For those folks that may need additional information, we will have relicensing staff and consultants available for a few more minutes if you would like to talk to us off line. And, again, thank you very much, and please have a safe drive home.

(The hearing was concluded at 3:22 p.m.)

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REPORTER'S CERTIFICATE

STATE OF CALIFORNIA)
) SS.
COUNTY OF SACRAMENTO)

I, SANDY HOPPER, a certified shorthand reporter, do hereby certify that the foregoing 58 pages comprise a full, true and correct transcription of the proceedings had and the testimony taken at the hearing in the hereinbefore-entitled matter.

Dated this 22nd day of November, 2001, at Sacramento, California.

S. Hopper

SANDY HOPPER, C.S.R.

C.S.R. NO. 7110